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RECOVERY OF COSTS FOR PRORATED PROJECT POSTS AND INCREMENTAL FIELD COSTS FOR SUPPLEMENTARY-FUNDED PROGRAMMES

SUMMARY

The present report was prepared in response to Executive Board decision 1992/37 (E/ICEF/1992/14), in which the Board requested the Executive Director to review all elements of the structure and adequacy of the UNICEF recovery policy and to submit the review, with recommendations, for the consideration of the Board in 1994.

The Executive Director recommends that the Executive Board approve the recommendation contained in paragraph 24 of the present report.

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I. BACKGROUND

1. Since 1968, when it first authorized UNICEF to accept earmarked contributions, the Executive Board has recognized that some of the costs associated with implementation of supplementary-funded programmes, both at headquarters and in field offices, were covered out of the administrative and programme support budget of UNICEF and financed from general resources. Therefore, the UNICEF policy on recovery of costs for prorated project posts at headquarters and incremental general operating costs in field offices for supplementary-funded programmes evolved to eliminate, or at least minimize, cross-subsidization of supplementary-funded programme activities from general resources contributions.

2. The Executive Board decided in 1968 that interest income earned on unexpended supplementary funds would be credited to general resources as an offset for that portion of administrative services and programme support costs which was attributable to the implementation of supplementary-funded programmes but difficult to identify. Through a series of decisions commencing in 1986, the Board decided that supplementary-funded programmes should be charged specifically with the cost of headquarters staff whose posts were related to the administration of these programmes, the associated travel and per diem costs and a pro rata allocation of general operating costs of field offices.

3. The Board last addressed the issue of recovery charges at its 1992 session (E/ICEF/1992/AB/L.8), when it reviewed experience in the application of the recovery charge and approved, on an interim basis, continuation of the policy for collecting a 6 per cent fee on all non-emergency supplementary-funded programmes and extension of this charge to all emergency supplementary-funded programmes. The Board continued to exempt all supplementary-funded contributions from National Committees for UNICEF, non-governmental organizations (NGOs) and host Governments funding their own programmes. It also requested a review of all elements of the structure and adequacy of current recovery policy (see E/ICEF/1992/14, decision 1992/37).

II. REVIEW OF CURRENT RECOVERY POLICY

A. Income, expenditures and recovery of incremental costs

4. A summary of income and expenditures, as well as the recovery and application of the 6 per cent charge for the incremental costs of supplementary-funded programmes, is provided in tables 1, 2 and 3 below. These figures show a rapid growth of total income in recent years, from $378 million in 1982 to $866 million in 1993. Corresponding expenditure from supplementary fund contributions has grown even more rapidly, from 28 per cent of all programme expenditure in 1982 to more than 48 per cent in 1993. The nature of contributions has also changed, as emergencies, which represented less than 20 per cent of supplementary-funded income up to 1990, recently accounted for close to 50 per cent of supplementary funds contributions. In response to donor requirements and as part of consolidated United Nations appeals, emergency

Table 1. UNICEF income and expenditure, 1982-1993 (actual) and 1994-1997 (planned)

(In millions of United States dollars)

	Actual							Medium-term plan forecast			
	1982	1984	1986	1988	1990	1992	1993	1994	1995	1996	1997
Income											
General resources	243	223	296	437	531	548	509	532	552	595	635
Supplementary funds											
Regular	85	82	127	235	233	186	187	201	208	214	226
Emergencies	50	27	32	39	57	204	170	155	150	140	130
Subtotal	135	109	159	274	290	390	357	356	358	354	356
Total, income	378	332	455	711	821	938	866	888	910	949	991
Expenditure											
General resources programme expenditure	153	153	183	208	319	390	413	368	365	376	408
Supplementary funds programme expenditure											
Regular programmes	..	..	..	..	214	221	219	217	250	258	250
Emergencies	..	..	..	..	51	133	172	190	160	145	130
Subtotal	60	91	145	192	265	354	391	407	410	403	380
Total, programme expenditure	213	244	328	400	584	744	804	775	775	779	788
Administrative and programme support expenditure	76	100	113	114	150	178	180	197	203	206	214
Write-offs and miscellaneous	-	-	6	2	5	10	13	-	-	-	-
Total, expenditure	289	345	447	516	739	932	997	972	978	985	1 002

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Table 2. Supplementary funds contributions and expenditures, 1990-1993

(In millions of United States dollars)

INCOME BY SOURCE OF FUNDS												
	1990			1991			1992			1993		
	Reg.	Emer.	Total	Reg.	Emer.	Total	Reg.	Emer.	Total	Reg.	Emer.	Total
Government contributions:												
Eligible for 6 per cent recovery	133.9		133.9	82.3		82.3	111.4	86.0	197.4	87.7	76.1	163.8
Not eligible for 6 per cent recovery	25.8	40.1	65.9	5.0	94.9	99.9	2.7	61.9	64.6	3.8	13.4	17.2
Total government contributions	159.7	40.1	199.8	87.3	94.9	182.2	114.1	147.9	262.0	91.5	89.4	180.9
National Committee contributions	41.1	9.0	50.1	53.0	31.0	84.0	56.6	36.8	93.4	78.0	31.7	109.8
NGO contributions	20.5	1.5	22.0	29.1	1.5	30.6	17.2	2.9	20.1	19.5	4.7	24.2
Total National Committee and NGO contributions	61.6	10.5	72.1	82.1	32.5	114.6	73.8	39.7	113.5	97.6	36.4	134.0
United Nations system contributions	3.8	6.1	9.9	3.2	8.2	11.4	1.9	17.1	19.0	5.4	43.9	49.3
Total contributions	225.1	56.7	281.8	172.6	135.6	308.2	189.8	204.7	394.5	194.5	169.7	364.2
Potential recovery on contributions	7.4		7.4	4.7		4.7	6.4	5.4	11.8	5.2	4.6	9.8

EXPENDITURE BY SOURCE OF FUNDS												
	1990			1991			1992			1993		
	Reg.	Emer.	Total	Reg.	Emer.	Total	Reg.	Emer.	Total	Reg.	Emer.	Total
From government contributions:												
Eligible for 6 per cent recovery	86.6		86.6	76.9		76.9	103.4	15.2	118.6	104.6	76.5	181.1
Not eligible for 6 per cent recovery	62.0	32.4	94.4	34.1	64.9	99.0	31.6	83.3	114.9	18.8	31.4	50.2
Total from government contributions	148.6	32.4	181.0	111.0	64.9	175.9	135.0	98.5	233.5	123.4	107.9	231.3
From National Committee contributions	39.6	12.8	52.4	41.9	21.9	63.8	54.8	26.1	80.9	59.8	31.8	91.5
From NGO contributions	24.0	0.9	24.9	19.0	1.4	20.4	28.5	1.5	30.0	23.3	2.1	25.4
Total from National Committees and NGOs	63.6	13.7	77.3	60.9	23.3	84.2	83.3	27.6	110.9	83.1	33.8	117.0
From United Nations system contributions	1.9	4.7	6.6	4.1	9.0	13.1	3.1	6.4	9.5	12.6	29.9	42.5
Total expenditures	214.1	50.8	264.9	176.0	97.2	273.2	221.4	132.5	353.9	219.1	171.7	390.7
Amount recovered	4.4		4.4	4.5		4.5	6.4	1.0	7.4	6.3	4.9	11.2

Reg. = regular programmes

Emer. = emergencies

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Table 3. Application of 6 per cent recovery funds

(In millions of United States dollars)

	1987	1988	1989	1990	1991	1992	1993	1994	1995
			Actual					Forecast	
Recovery on supplementary-funded programmes	-	1.9	3.3	4.4	4.5	7.4	11.2	10.1	11.8
Costs of headquarters staff in recovery posts	2.0	2.2	2.4	4.3	4.9	6.6	7.3	11.4	11.9
Net recovery after payment for headquarters posts	(2.0)	(0.3)	0.9	0.1	(0.4)	0.8	3.9	1.3	0.1
Amount available for incremental field costs	-	-	0.9	0.1	-	0.8	3.9	1.3	0.1

contributions are projected to remain at relatively high levels over the period of the medium-term plan (1994-1997).

5. Current recovery policy, including recovery from government emergency contributions from 1992 onwards, generates a small surplus above the cost of approved headquarters recovery posts. Forecast income, expenditures and general overhead costs at headquarters and in the field, and alternative scenarios for the collection of recovery charges as shown in table 4 below, indicate that current recovery policy is adequate to cover the costs of headquarters recovery posts but does not meet the requirements of incremental field costs (scenario A). Increasing the recovery charge on currently eligible donors to the level required to cover total incremental costs associated with implementation of supplementary-funded programmes, both at headquarters and in the field, would require a recovery rate of some 12 per cent (scenario B).

6. Extending the current 6 per cent policy to all donors, with no exemptions, and assuming no decline in contributions, would not provide sufficient funds to cover headquarters recovery posts and incremental field costs, resulting in a projected shortfall of $45.6 million over the period 1994-1997 (scenario C). It would require an overall recovery rate of at least 8 per cent on all supplementary funds contributions in order to cover all incremental costs, both at headquarters and in the field (scenario D). Any exemptions would create the requirement for a corresponding further increase in the rate charged to the donors still paying.

7. The level of interest income, also shown in table 4, is insufficient to alter materially the general conclusions set out above. Moreover, the use of interest income to supplement recovery charges would eliminate some of the support for administrative and programme support costs currently not covered from general resources; interest income could decline if donors increasingly make up-front pledges but phase cash transfers in accordance with forecast expenditures.

Table 4. Recovery forecast based on alternative scenarios

(In millions of United States dollars)

	ACTUAL				MEDIUM-TERM PLAN FORECAST				MEDIUM-TERM PLAN FORECAST CUMULATIVE
	1991	1992	1993		1994	1995	1996	1997	
INCREMENTAL COSTS									
Cost of headquarters recovery staff	4.9	6.6	7.3		11.4	11.9	12.4	12.9	48.6
Field-level incremental general operating costs required for implementation of supplementary-funded programmes	10.3	11.9	14.8		15.0	15.6	14.7	14.1	59.4
Total, headquarters and field costs required for implementation of supplementary-funded programmes	15.2	18.5	22.8		26.4	27.5	27.1	27.0	108.0
ALTERNATIVE RECOVERY SCENARIOS									
A. Current recovery policy of 6 per cent with donor exemptions	4.5	7.4	11.2		10.1	11.8	12.5	14.8	49.2
BALANCE (UNFUNDED)/SURPLUS	(10.7)	(11.1)	(11.6)		(16.3)	(15.7)	(14.6)	(12.2)	(58.8)
B. Recovery rate required to cover all headquarters and field cost with current donor exemptions, i.e., 12 per cent					27.2	27.2	27.6	29.0	111.0
BALANCE (UNFUNDED)/SURPLUS					0.8	(0.3)	0.5	2.0	3.0
C. Recovery of 6 per cent on all supplementary-funded programmes with no donor exemptions, effective 1995					10.1	14.1	17.0	21.2	62.4
BALANCE (UNFUNDED)/SURPLUS					(16.3)	(13.4)	(10.1)	(5.8)	(45.6)
D. Recovery rate required to cover fully all headquarters and field costs, on all supplementary-funded programmes with no donor exemptions, i.e., 8 per cent					30.8	30.8	28.4	28.5	118.5
BALANCE (UNFUNDED)/SURPLUS					4.4	3.3	1.3	1.5	10.5
INTEREST INCOME PROJECTION									
Total interest income on unexpended supplementary fund balances	7.0	8.0	8.0		8.0	6.0	5.0	4.0	23.0

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B. Headquarters costs

8. The incremental costs at headquarters for implementation of supplementary-funded programmes are defined as the costs of headquarters-based administrative and programme support staff working on supplementary-funded programmes for which posts have been approved by the Executive Board. As set out in the 1994-1995 administrative and programme support budget under "headquarters project posts charged to supplementary funding - recovery" (E/ICEF/1993/AB/L.1, annex XV), there are currently 152 such posts, representing 17 per cent of the total 879 headquarters posts - 56 international Professional and 96 General Service. Incremental headquarters costs also include the costs for travel, per diem and training of staff occupying recovery posts.

C. Field office costs

9. Incremental general operating costs in field offices administering supplementary-funded programmes are considered proportional to the value of supplementary-funded programme expenditures relative to total programme expenditures administered. As presented in table 5 below, a review of general operating costs in the field for the 1994-1995 biennium, i.e., all costs included under category 2 (b) in the administrative and programme support budget, shows that the total approved general operating costs of $79.1 million, when adjusted downwards to $77.7 to reflect budgetary cuts included in the medium-term plan for 1994-1997, contains $20.6 million linked exclusively to activities funded from general resources and $57.1 million related non-specifically to both general resources and supplementary-funded programmes.

10. Supplementary-funded programme expenditures in the 1994-1995 biennium are projected at $407 million and $410 million per year, respectively, totalling $817 million and equivalent to 53 per cent of total expected programme expenditure of $1,550 million. On this basis, gereral operating costs in the field attributable to the implementation of supplementary-funded programmes would be 53 per cent of the $57.1 million for all non-specified general operating costs, an amount of $30.1 million and equivalent to 3.7 per cent of the $817 million projected for expenditure on all supplementary-funded programmes. In line with reduced income and increased financial austerity, as reflected in the 1994-1997 medium-term plan (E/ICEF/1994/3 and Corr.1), UNICEF considers that general operating costs in the field associated with supplementary-funded programmes can be kept to 3 per cent of total supplementary-funded programme expenditures.

Table 5. General operating costs in UNICEF field offices, 1994-1995

(In millions of United States dollars)

	1994	1995	Total 1994-1995 biennium
Total, category 2(b) general operating costs	40.6	38.5	79.1
Less estimated cuts for 1994-1995 budget as reflected in the medium-term plan	(0.7)	(0.7)	(1.4)
Total, net category 2(b)	39.9	37.8	77.7
Of which related totally to general resources-funded activities	12.0	8.6	20.6
Official travel - code 35	5.2	5.4	10.6
Computer equipment - code 92	2.7	0.3	3.0
Furniture and fixtures - code 85	2.2	1.6	3.8
Transport equipment - code 91	1.9	1.3	3.2
Of which related both to general resources and supplementary-funded activities	28.0	29.2	57.1

D. Effect of recovery charge on National Committees for UNICEF and non-governmental organizations

11. In 1993, National Committees for UNICEF and NGOs provided 29 per cent of all UNICEF resources, for a net total of $255 million. National Committees and NGOs unanimously agree that public fund-raising is becoming increasingly competitive and that continued, broad-based support for UNICEF requires effective and efficient programme implementation with minimal expenditure on administrative overheads. While recognizing the need for an equitable system, they have emphasized during consultations with UNICEF the need for a recovery system that does not reduce fund-raising capacity.

E. Recovery policies of other United Nations programmes and agencies

12. United Nations organs, programmes and agencies, differing widely in their mandates and nature of operations, have a variety of mechanisms and rates for the recovery of administrative and programme support costs. The issue of funding general operating costs of programmes funded through earmarked contributions is under review and discussion by virtually all governing bodies.

13. Among those with similar operations, the United Nations Development Programme (UNDP), when it uses other United Nations bodies as executing agencies, is authorized to pay agency support costs ranging from a low of 5 per cent to a high of 18 per cent, with a desired overall average of 10 to 12 per cent. When UNDP receives earmarked funds for specific projects, all identifiable incremental overhead administrative costs both at field and headquarters levels are built into individual project budgets. For management services contracts, UNDP charges fees ranging from 3 to 11 per cent in accordance with a scale based on the nature and cost of services.

14. The Office of the United Nations High Commissioner for Refugees (UNHCR) has approximately one third of total expenditures in its regular budget and the remaining two thirds in appeals and programmes receiving specific earmarked contributions comparable to UNICEF supplementary funding. Some 30 per cent of the UNHCR regular budget, i.e., the equivalent of UNICEF general resources, is expended on administrative and programme support costs, including headquarters and field expenditures for programmes implemented through both the regular budget and specific appeals.

F. Effect of recovery charges on the level of supplementary-funding income

15. While most eligible donors have paid the recovery charge without affecting the volume or timeliness of programme delivery, several have stated that their rules prohibit the payment of a general overhead charge intended, even in part, for headquarters costs. This has delayed some contributions and resulted in the withdrawal of others. The net effect of current policy has been a delay in the start of some programmes and a reduction in income, perhaps up to $50 million per year.

III. PROPOSAL FOR FUNDING GENERAL OVERHEAD COSTS

16. Bearing in mind previous decisions of the Executive Board and the stated views of the Executive Board, as well as the observations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that, inter alia, "a large number of project posts at headquarters ... should be financed from the administrative and programme support budget" and "the classification of project posts related to the 6 per cent recovery funds ... leads to an underestimation of the actual administrative and programme support costs" (E/ICEF/1992/AB/L.18), UNICEF reviewed the possible extension and improvement of recovery policy. This analysis was guided by the need for simplicity, transparency and full accountability in accordance with criteria of fairness, equity and the maximization of UNICEF resources.

17. It was found that an incremental charge for headquarters costs was appropriate so long as the total value of supplementary-funded programmes was marginal to that of the total programme. However, now that supplementary-funded programmes account for one half of all programmes, some form of average cost allocation would be more appropriate, recognizing the relative parity of the value of general resources and supplementary-funded programmes. While the establishment of two separate headquarters administrative and programme support budgets of roughly equal value, one for general resources and the other for supplementary-funded programmes, lacks a rational justification and would impose a recovery charge of up to 20 per cent on supplementary-funded programmes, a single administrative and programme support budget taking into account all UNICEF headquarters costs would reflect current reality, be totally consistent with the principle of average cost allocation and be similar to the practices of other United Nations bodies.

18. The inclusion of a 3 per cent line item for "incremental field office administrative and programme support costs" in each supplementary-funded programme budget would provide adequate income to cover all incremental field office general costs in a transparent and equitable manner. This would be additional to the direct costs, such as staff costs, at field level and to identifiable operating costs, which would be included in the project proposals, as is the case today.

19. In the short run, at a given level of income and expenditure, this proposal would be cost-neutral. In the longer run, and while maintaining an emphasis on general resources, it is likely to lead to additional income for supplementary-funded programmes from donors currently unable to fund overheads. This latter category includes potentially major donors such as the European Union and could generate additional income estimated at up to $50 million per year. Consultations with representatives of National Committees and NGOs indicated general support for such a recovery system.

IV. CONCLUSIONS AND RECOMMENDATION

20. The current recovery policy is unlikely to generate sufficient revenue to cover much more than the costs of headquarters recovery posts. Extending the 6 per cent recovery charge to National Committees, NGOs and host Governments funding their own programmes would increase the amounts recovered and contribute to incremental general operating costs in the field. However, even this would not provide sufficient income to cover all associated overhead costs at both headquarters and the field.

21. The recovery of all general operating costs incurred by the implementation of supplementary-funded programmes would require an average recovery charge of some 12 per cent on contributions to supplementary-funded programmes if the current exemptions for National Committees, NGOs and host Governments funding their own programmes are retained. The extension of the recovery charge to all supplementary funds contributions and the elimination of exemptions on certain categories of donors would require an overall recovery charge of some 8 per cent.

22. The application of higher recovery charges would have a negative effect on contributions from both National Committees and NGOs, as well as potentially discouraging those from Governments.

23. The funding of headquarters administrative and programme support costs for supplementary-funded programmes from general resources contributions, and of field office general operating costs from a 3 per cent budgetary line item for "incremental field office administration and programme support costs" built into all supplementary-funded programme budgets, provides the optimum mechanism for generating resources to cover general overhead costs, in addition to directly identifiable costs. While continuing to emphasize general resources programming, UNICEF could gain additional supplementary-funded income of up to $50 million or more per year above levels expected with the existing recovery policy.

24. The Executive Director recommends that the Executive Board approve the following draft recommendation:

The Executive Board

Decides:

(a) That the policy of charging a 6 per cent recovery fee to all supplementary-funded projects, excluding those funded by National Committees for UNICEF, NGOs and host Governments funding their own programmes, shall continue until the end of 1995. The amount would cover costs of those headquarters-based administrative and programme support posts approved by the Executive Board for funding from the recovery charge and contribute to incremental overhead costs in field offices;

(b) That, beginning with the 1996-1997 administrative and programme support budget, the policy of charging a 6 per cent recovery fee be discontinued; all headquarters posts previously charged to recovery funds shall

be converted to core posts and incorporated into the general resources-funded administrative and programme support budget;

(c) That all supplementary-funded programmes signed after 31 December 1995 shall include a separate budget line for "incremental field office administrative and programme support costs" equivalent to 3 per cent of the total programme budget. This line item shall be applied to the general operating costs in the field office and shall be additional to direct field operating costs such as staff costs, staff travel, computer equipment, etc., which will continue to be included in specific programme budgets;

(d) That the 3 per cent rate for "incremental field office administrative and programme support costs" shall not be changed without the prior approval of the Executive Board;

(e) That for donors currently exempt from payment of the recovery charge, or not specifically identified in previous Executive Board decisions on recovery policy, the 3 per cent rate for "incremental field office administrative and programme support costs" shall be applied immediately. In particular, the 3 per cent should be built into programme proposals receiving supplementary funding from National Committees, NGOs, host Governments, the European Union, the World Bank and jointly administered local currency counterpart funds;

(f) That the Executive Director shall review the application of this new policy for recovery of headquarters and field general operating costs, including the desirability of incorporating a review of current levels of general operating costs, and their adequacy, within each biennial budget proposal, and report thereon to the Executive Board in 1999.

Annex

DEVELOPMENT OF CURRENT UNICEF POLICY ON RECOVERY OF COSTS FOR PRORATED PROJECT POSTS AND INCREMENTAL FIELD COSTS ON SUPPLEMENTARY-FUNDED PROGRAMMES

1. Since 1968, when UNICEF was authorized to accept supplementary funds contributions from Governments, it has been recognized that some of the costs associated with the implementation and delivery of supplementary-funded programmes, at both headquarters and the field, were covered by the overall administrative and programme support budget funded from general resources. Since most supplementary-funded programmes are extensions of ongoing activities funded from general resources, or closely related to them, core staff were involved with such supplementary-funded programme activities as project identification and preparation, supply specification and procurement, staff recruitment and placement, fund-raising, financial management and accounting and donor reporting.

2. While this duality of roles for core staff and associated services made it possible to plan and implement supplementary-funded programmes at considerably less expense and in a more timely manner than would have been possible using entirely separate and unrelated staff and support services, the use of core staff for both general resources and supplementary-funded programmes raised the issue of cross-subsidization, i.e., the use of general resources income to support overhead costs associated with the delivery of supplementary-funded programmes.

3. Starting in 1968, in order to compensate for the absorption of overhead costs in general resources expenditures, the Executive Board also agreed that interest income earned by unexpended supplementary fund balances would be credited to general resources as an offset for that portion of administrative services and programme support costs attributable to supplementary-funded programmes but difficult to identify for inclusion in specific programme proposals.

4. In 1986, as part of the continuing process of refining supplementary funding policies and proper apportionment of costs, the Executive Director submitted to the Executive Board a comprehensive overview report on supplementary funding (E/ICEF/1986/L.2). As a consequence, the Board defined more precisely the nature of posts and other incremental overhead costs to be funded through the recovery charge. The Board decided that supplementary-funded projects should be charged specifically with the cost of staff at headquarters locations whose posts are related exclusively to the administration of supplementary funds and associated programmes; the travel and per diem costs associated with missions of core staff when these are undertaken for the preparation, monitoring and evaluation of supplementary-funded programmes; and a prorated allocation of general operating costs of field offices administering supplementary-funded programmes.

5. The Board further decided that, with the exception of staff costs mentioned in the previous paragraph, the proportional costs of other core staff involved

in the administration of supplementary-funded programmes would remain as an expenditure to be absorbed by the overall administrative and programme support budget. In this regard, the Board reconfirmed that UNICEF should continue to credit interest income earned on unexpended supplementary funds contributions to general resources in order to compensate for indirect costs which would be difficult or costly to identify (E/ICEF/1986/12, decision 1986/9).

6. The Board also decided in 1986 that the recovery of overhead costs on supplementary-funded programmes would exclude emergency programmes and would not apply to programmes funded by National Committees for UNICEF, non-governmental organizations (NGOs) and host Governments funding their own programmes.

7. In 1987, the Executive Board noted the methodology developed by the secretariat to apportion general operating costs to supplementary-funded projects as explained in the budget (E/ICEF/1987/AB/L.1, paras. 32-37). The Board further resolved that the recovery charge should be 6 per cent and should be included as a separate budget item in the presentation of proposals for supplementary funding to donors and that this recovery charge should not be changed without the prior approval of the Board. The Board accepted the recommendation of UNICEF that budgets for emergency programmes should not be subject to cost recovery and that contributions from National Committees and NGOs should be exempt so as to maintain the maximum level of public support for the work of UNICEF. Host countries were also exempted from payment of recovery charges on the funding of their own programmes. Finally, the Executive Board resolved that no posts could be added to this category without the prior approval of the Executive Board and that tables listing all project posts at headquarters locations would be included in all future biennium administrative and programme support budget proposals (E/ICEF/1987/11, decision 1987/9).

8. In 1991, after four years of experience with its recovery policy, the Executive Board, in decision 1991/29 (see E/ICEF/1991/15), requested the Executive Director to review the adequacy of the 6 per cent surcharge.

9. After reviewing the Executive Director's report on the recovery policy (E/ICEF/1992/AB/L.8), the Board in 1992 noted that UNICEF was recovering the full 6 per cent charge from virtually all eligible contributions, but that the nature of supplementary-funded contributions had changed. Since 1990, government contributions for emergency supplementary-funded programmes had shown a sizeable increase with an offsetting relative reduction in funding for non-emergency programmes. With the shift in balance between non-emergency and emergency contributions, of which only the former were subject to a recovery charge, the amounts collected were only sufficient to cover the designated overhead costs of non-emergency supplementary-funded programmes.

10. While specific emergency requirements were not subject to accurate prediction, the Executive Director considered that the overall trend of significantly increased emergency needs relative to non-emergency contributions was likely to continue and, therefore, the then current policy was unlikely to cover the costs of recovery posts for emergency programmes and the incremental costs associated with emergency activities. Furthermore, the policy of charging only for non-emergency supplementary-funded programmes led to considerable volatility in the level of amounts recovered, as relative proportions between

emergency and non-emergency contributions could shift markedly even within overall levels of supplementary funding consistent with projections in the medium-term plan.

11. In 1992, the Executive Board, on an interim basis, decided that the policy of charging a 6 per cent recovery rate to all supplementary-funded projects for non-emergency purposes should be continued and that the charge should be extended to all emergency supplementary-funded programmes, excluding in all cases those programmes funded by National Committees, NGOs and host Governments contributing to their own programmes. In addition, the Board requested the Executive Director to review by 1994 all elements of the structure of the recovery policy, taking fully into account the views expressed by delegations, including, inter alia, actual overheads incurred, the implications of the possible extension of the recovery rate to National Committees and NGOs, the recovery policy of other United Nations agencies and programmes, the use of interest income on unexpended supplementary funds and the effects of recovery policy on the levels of income received.

12. During the Board's consideration of recovery charges at its 1992 session, many delegations expressed the desire for a complete review of the issue and consideration of alternative approaches. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) also noted "the significant increase in administrative, personnel and operating costs relating to all supplementary-funded programmes over the last years" and expressed the "urgent need to expand the current recovery policy to meet the additional requirements of UNICEF to finance prorated project posts and field overheads related to the implementation of such programmes" (E/ICEF/1992/AB/L.18, para. 55).

13. ACABQ further expressed the view that "a large number of project posts at headquarters are actually project support posts which should be financed from the administrative and programme support budget". It continued that "the current procedure, especially the classification of project posts related to the 6 per cent recovery on supplementary funds which perform core functions, leads to an underestimation of the actual administrative and programme support costs of UNICEF" (E/ICEF/1992/AB/L.18, para. 30).